

Message Text

CONFIDENTIAL

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TO AMEMBASSY MOSCOW

C O N F I D E N T I A L STATE 147878

E.O. 11652: GDS

TAGS: EWWT, ETRD, UR

SUBJECT:MARINE CARGO INSURANCE

1. BEGIN CONFIDENTIAL. ACTING ON RECOMMENDATION BY STR THE PRESIDENT HAS MADE A DETERMINATION THAT THE SOVIET MONOPOLY OF BILATERAL MARINE CARGO INSURANCE BUSINESS UNREASONABLY BURDENS AND RESTRICTS US COMMERCE WITHIN THE MEANING OF SECTION 301 OF THE TRADE ACT. THE PRESIDENT HAS ALSO APPROVED STR'S RECOMMENDATION THAT THIS DETERMINATION BE MADE PUBLIC TOGETHER WITH A STATEMENT BY STR THAT AN INTER-AGENCY PANEL WOULD STUDY WAYS TO ACHIEVE TERMINATION OF THE UNREASONABLE SOVIET PRACTICE. MEMBER AGENCIES OF THE TRADE POLICY STAFF COMMITTEE (STR, STATE, COMMERCE, TREASURY, AGRICULTURE, LABOR) UNANIMOUSLY SUPPORTED THESE RECOMMENDATIONS. END CONFIDENTIAL.
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2. BEGIN UNCLASSIFIED. FOLLOWING IS THE TEXT OF FEDERAL REGISTER NOTICE ANNOUNCING PRESIDENT'S DECISION: QUOTE:
OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS
PRESIDENTIAL DETERMINATION UNDER SECTION 301 (A)
SOVIET MARINE INSURANCE PRACTICES

PURSUANT TO SECTION 301 (A) OF THE TRADE ACT OF 1974 (19 USC 2411), THE PRESIDENT HAS DETERMINED THAT PRACTICES OF

THE UNION OF SOVIET SOCIALIST REPUBLICS (USSR) WITH RESPECT TO MARINE INSURANCE ON BILATERAL (US-USSR) CARGOES CONSTITUTE AN UNREASONABLE BURDEN AND RESTRICTION ON US COMMERCE.

THIS DETERMINATION WAS REACHED AFTER CONSIDERING THE RESULTS OF A REVIEW CONDUCTED BY THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS (STR), AS REQUIRED BY REGULATIONS OF THE OFFICE OF THE STR, IN RESPONSE TO A COMPLAINT FILED BY THE AMERICAN INSTITUTE OF MARINE UNDERWRITERS (AIMU) ON NOVEMBER 10, 1977, AND PUBLISHED IN THE FEDERAL REGISTER ON JANUARY 26, 1978. A PUBLIC HEARING ON THE COMPLAINT WAS HELD ON MARCH 7, 1978, AND AN INTERAGENCY COMMITTEE CHAIRED BY MY OFFICE THOROUGHLY REVIEWED THE ALLEGATIONS AND INFORMATION RECEIVED AS A RESULT OF THAT HEARING. IN THEIR PETITION, THE AIMU COMPLAINED THAT THE USSR REQUIRES VIRTUALLY ALL INSURANCE ON US-USSR BILATERAL TRADE TO BE PLACED WITH INGOSSTRAKH, THE SOVIET STATE INSURANCE MONOPOLY, THUS EXCLUDING US MARINE CARGO UNDERWRITERS FROM PARTICIPATION IN THAT COMMERCIAL ACTIVITY. (SEE FEDERAL REGISTER, JANUARY 26, 1978, PG. 3635.) IN ADDITION, THE SOVIETS HAVE APPLIED A HIGHER RATE TO OVERAGE INSURANCE OF US FLAG VESSELS IN THE US - USSR GRAIN TRADE THAN WOULD
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HAVE BEEN CHARGED BY US INSURERS.

THE PRESIDENT HAS DIRECTED ME TO ESTABLISH AN INTERAGENCY COMMITTEE TO STUDY POSSIBLE WAYS TO ACHIEVE THE ELIMINATION OF THESE PRACTICES AND TO MAKE RECOMMENDATIONS ON POSSIBLE FURTHER ACTIONS UNDER SECTION 301. AS REQUIRED BY SECTION 301(E), SHOULD THE PRESIDENT DETERMINE TO TAKE ANY ACTION UNDER SECTION 301(A), THAT DETERMINATION WILL BE PUBLISHED IN THE FEDERAL REGISTER AND AN OPPORTUNITY FOR A PUBLIC HEARING WILL BE PROVIDED.

I AM HOPEFUL THAT THERE WILL BE FURTHER DISCUSSIONS WITH THE GOVERNMENT OF THE USSR IN THE NEAR FUTURE WHICH WILL LEAD TO A SUCCESSFUL RESOLUTION OF THIS DISPUTE AND THERE BY AVOID ANY FURTHER ACTIONS UNDER SECTION 301.

ROBERT S. STRAUSS
SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS. UNQUOTE.

3. END UNCLASSIFIED. BEGIN CONFIDENTIAL. PRESIDENTIAL DECISION WAS COMMUNICATED TO THOMAS FA1N OF THE AIMU AND TO DEPUTY SOVIET TRADE REP NIKOLAI KRUGLOV JUNE 6; KRUGLOV

WAS GIVEN AN ADVANCE COPY OF THE TEXT OF THE FEDERAL REGISTER NOTICE. IN ADDITION, SOVIET MARITIME ATTACHE DZHAVAD DURING THIS WEEK RAISED MARINE INSURANCE ISSUE WITH BOURDON OF MARAD AND SEPARATELY WITH BANK OF EB. BOTH HAD

EXPLAINED STATUS OF THE ISSUE AND POINTED OUT READINESS OF US TO RESOLVE IT THROUGH NEGOTIATION. THEY EMPHASIZED, HOWEVER, THAT NEGOTIATIONS CAN HAVE NO PURPOSE UNLESS THE SOVIETS ARE READY TO SOLVE THE OUTSTANDING PROBLEMS.

4. RE MOSCOW 13164. WEIGHING OF POTENTIAL PENALTY OPTIONS, ASSUMING MARINE INSURANCE ISSUE IS NOT RESOLVED THROUGH NEGOTIATIONS, WILL BE A CAREFUL PROCESS. SOVIETS AND EMBASSY WILL, OF COURSE, BE NOTIFIED IN ADVANCE BEFORE ANY CONFIDENTIAL

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PENALY ACTION IS TAKEN. VANCE

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NNN

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